

Table 1 shows the average annual cost to provide services to one person by type of eligibility during fiscal 1999. The average cost to serve an aged recipient was about \$13,000 compared to the average cost to serve a low-income child of about \$1,040. As the Montana population ages, Medicaid costs will increase disproportionately, since elderly persons are the highest cost category.

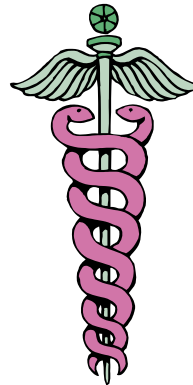
| Table 1 Average Annual Cost of Medicaid Services By Type of Eligibility - FY99 | |
|---|----------------|
| Eligibility Type | Annual Cost |
| Aged | \$12,696 |
| Blind or Disabled | 7,871 |
| Low-Income Adult | 1,044 |
| Low-income Child | 1,036 |
| Average | 3,033 |

Medicaid expenditures have grown from \$178.6 million in fiscal 1990 to \$355.4 million in fiscal 1999, rising at an annual compounded rate of 7.9 percent. The annual rate of change measured through fiscal 2003 appropriations at \$581.1 million increases to about 9.5 percent.

Medicaid costs have increased for several reasons. As with other health care programs, advances in technology and pharmaceuticals have fueled some of the increase. Provider rate increases authorized by the legislature have also contributed to cost growth. In the last two years, there has been an increase in the number of persons eligible for SSI due to recent court decisions.

State statute allows the department to set priorities to limit, reduce, or otherwise curtail the amount, scope, or duration of the medical services made available under the Montana Medicaid program, if available funds are not sufficient to provide medical assistance for all eligible persons (section 53-6-101 (11), MCA).

“In Montana, persons with countable incomes above the poverty level are not generally eligible for Medicaid.”



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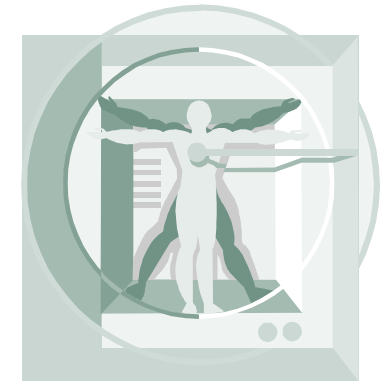
LEGISLATIVE FISCAL DIVISION



FOCUS ON... MEDICAID

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Fiscal Pocket Guide



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What Is Medicaid?

Medicaid is a federal/state program that pays for health care services for low-income aged, blind, or disabled persons, dependent and minor children, and some parents of dependent children.

Why Is Medicaid Important?

The Medicaid services appropriation for the 2003 biennium is \$1.1 billion total funds, which includes \$263 million general fund and \$13 million of county funds. Medicaid services alone comprise 19 percent of all funds appropriated in the general appropriations act (House Bill 2) for the 2003 biennium.

Medicaid provides a significant source of funding for medical services in Montana. Between 10 to 12 percent of all Montanans are eligible for services each year.

Federal Medicaid Criteria

All states administer a Medicaid program. Once a state opts to participate, it must abide by federal criteria since the federal government pays for a substantial portion of Medicaid costs.

Federal criteria establish certain mandatory services and categories of eligibility that a state must include in its state Medicaid plan and optional services and eligibility that a state can add at its discretion. Examples of mandatory services are inpatient hospital, physician, nursing home and well child services. Optional services include pharmacy, most mental health services, and outpatient therapies. Some optional services may substitute lower-cost care for or prevent placement in more expensive mandatory services. There are also certain programmatic criteria that a state must meet if it administers a Medicaid program.

Several basic criteria are:

- ◇ Services must be available statewide
- ◇ There must be freedom of choice among providers
- ◇ Rate levels must be adequate to provide a sufficient number of providers
- ◇ Services must be medically necessary
- ◇ Copayments are subject to federal limits Once a person meets eligibility criteria, he or she is entitled to receive services

State Medicaid Cost Share

States must share in the cost of Medicaid. Administrative costs (staff, rent, operating) are usually shared equally between state and federal governments. The state share of services costs is based on state per capita income compared to national per capita income. Recently, the Montana share of Medicaid service costs has been about 30 percent.

Who Is Eligible for Medicaid?

There are over 35 types of Medicaid eligibility. This summary highlights two broad types of eligibility: 1) Supplemental Security Income (SSI) for aged, blind, or disabled; and 2) minor and dependent children and some parents. Able-bodied, healthy, childless adults are not eligible for Medicaid, regardless of income or assets.

The federal government establishes asset limits at \$2,000 for an individual and \$3,000 for a couple seeking to establish eligibility for a monthly SSI payment (and automatic Medicaid eligibility). Examples of assets are savings and checking accounts, promissory notes, trusts, stocks, and bonds. States may waive or disregard assets tests, and although Montana imposes assets tests, most states do not.

The federal government also establishes income limits for Medicaid eligibility, which vary by type of eligibility. States may disregard income above the federal limit, thereby increasing financial eligibility, but Montana does not do so.

Income limits are based on the federal poverty index, which is updated annually. The 2002 federal poverty level for a family of four is \$18,100 a year.

In Montana, persons with countable incomes above the poverty level are not generally eligible for Medicaid. Pregnant women with incomes up to 133 percent of the poverty level and children in families with incomes up to 100 percent of the poverty level are the exceptions. Parents of low-income children are eligible only if family income is below 40.5 percent of the federal poverty level.

The Montana Medicaid Program Eligibility and Service Cost

Chart 1 shows the total number of persons eligible for services by major type of eligibility in fiscal 1999, while Chart 2 shows expenditures by major type of eligibility. While low-income children comprised the largest share of eligibles (57 percent), they incurred only 20 percent of the total cost. In contrast, aged recipients accounted for 8 percent of the eligible persons, yet incurred 34 percent of the total cost.

